



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON
Governor
Joanna Prukop
Cabinet Secretary

February 15, 2006

Mark E. Fesmire, P.E.
Director
Oil Conservation Division

EOG Resources, Inc.
c/o William F. Carr, Legal Counsel
Holland & Hart LLP
P. O. Box 2208
Santa Fe, New Mexico 87504-2208

*Administrative Order NSL-5335 (BHL) (SD)
(Non-Standard Subsurface Location/Producing Area)*

Dear Mr. Carr:

Reference is made to the following: (i) EOG Resources, Inc.'s ("EOG") initial attempt at an application by Mr. Mike Francis, Senior ROW and Lease Operations Agent, dated December 5, 2005 and submitted to the New Mexico Oil Conservation Division ("Division") in Santa Fe, New Mexico on December 12 2005 (*administrative application reference No. pSEM0-534731570*); (ii) the Division's response by letter dated January 9, 2006 from Mr. Michael E. Stogner, Engineer; (iii) Mr. Stogner's meeting in Santa Fe with Messrs. Donny G. Glandon and Patrick J. Tower on Wednesday, January 11, 2006; (iv) your reply with a complete application on January 13, 2005; (v) your meeting in Santa Fe with Mr. Stogner on Thursday afternoon, November 3, 2005, to discuss EOG's plans to develop the Wolfcamp gas interval with high angle/horizontal drainholes in Sections 14, 22, and 23, Township 17 South, Range 24 East, NMPM, Eddy County, New Mexico; and (vi) the Division's records in Artesia and Santa Fe, New Mexico, including the files on Division Administrative Orders SD-05-07 and SD-05-08: all concerning EOG's plans for additional development within its recently established high angle/horizontal directional drilling project area pursuant to Division Rule 111.A (9) comprising a single 320-acre stand-up deep gas spacing unit within the Collins Ranch-Wolfcamp Gas Pool (75010) underlying the E/2 of Section 14.

The Division Director Finds That:

- (1) The subject application has been duly filed under the provisions of Division Rules 104.F, 111.A (13), 111.C (2), and 1210.A (2) [formerly Division Rule 1207.A (2), see Division Order No. R-12327-A, issued by the New Mexico Oil Conservation Commission in Case No. 13482 on September 15, 2005].
- (2) By Order No. R-10724, issued in Case No. 11682 on January 8, 1997 and made effective retroactive on January 1, 1997, the Division created and defined the Northeast Collins Ranch-Wolfcamp Gas Pool for the production of gas from the Wolfcamp formation; the horizontal limits for this pool currently comprises the following described lands in Eddy County, New Mexico (see also Division Orders No. R-12495 and R-12507:

TOWNSHIP 17 SOUTH, RANGE 24 EAST, NMPM

Section 14:	E/2
Section 23:	NE/4
Section 24:	All

TOWNSHIP 17 SOUTH, RANGE 25 EAST, NMPM

Section 18: W/2
Section 19: NW/4;

- (3) The Collins Ranch-Wolfcamp Gas Pool is currently governed under the provisions of Division Rule 104.C (2), which provides for: (i) 320-acre spacing units comprising any two contiguous quarter sections of a single governmental section; (ii) wells to be located not closer to a quarter section line than 660 feet nor closer to any internal quarter-quarter section line than 10 feet, and (iii) allows for an optional infill well within an existing unit provided the infill well is located in the quarter section not containing the unit's initial producing gas well;
- (4) The Division's records indicate that EOG recently drilled (spud date: August 10, 2005) its Danube "14" Fed. Com. Well No. 1-H (API No. 30-015-34198) from a surface location 1074 feet from the South line and 1703 feet from the East line (Unit O) of Section 14 and completed the well within the Undesignated Northeast Collins Ranch-Wolfcamp Gas Pool with a horizontal drainhole with its end point, or bottomhole location, approximately 852 feet from the North line and 1852 feet from the East line (Unit B) of Section 14; the wellbore directional survey shows the entire path of this wellbore within the Northeast Collins Ranch-Wolfcamp Gas Pool to be a standard pursuant to Division Rules 104.C (2) (a) and 111.A (7);
- (5) It is the Division's understanding that EOG intends to drill its Danube "14" Fed. Com. Well No. 2H (API No. 30-015-34494) as an infill gas well within this 320-acre project area from a surface location 230 feet from the South line and 330 feet from the East line (Unit P) of Section 14, vertically to an approximate measured depth (MD) of 4,618 feet; kick-off initially to the north-northwest and build angle until a 90 degree, more or less, deviation off of vertical is achieved at an approximate measured depth of 5,550 feet (MD); at this point the azimuth of the horizontal wellbore will be to the north; and continue to drill horizontally for an approximate distance of 3,800 feet to a bottomhole location, or end-point, within the Wolfcamp formation at a targeted subsurface location approximately 660 feet from the North line and 760 feet from the East line (Unit A) of Section 14;
- (6) The top of the Northeast Collins Ranch-Wolfcamp Gas Pool should be intercepted at an approximate depth of 4,945 feet;
- (7) The proposed pathway of the Danube "14" Fed. Com. Well No. 2H vertically from the entry point into the Wolfcamp formation to the kick-off depth and a portion of the curvature will be unorthodox pursuant to Division Rules 104.C (2) (b) and 111.A (13); and
- (8) It appearing the applicant has satisfied all of the appropriate requirements prescribed in Rules 111.C (2) and 104.F, the subject application should be approved, further, the aforementioned horizontal drainhole of EOG's proposed Danube "14" Fed. Com. Well No. 2H and above-described 320-acre stand-up gas deep spacing unit/project area should continue operating under the provisions contained within this order and all other applicable provisions of Division Rule 111.

It Is Therefore Ordered That:

(1) EOG Resources, Inc. ("EOG") is hereby authorized to directionally drill its Danube "14" Fed. Com. Well No. 2H (API No. 30-015-34494) as an infill gas well within an existing high angle/horizontal directional drilling project area pursuant to Division Rule 111.A (9) comprising a single 320-acre stand-up deep gas spacing unit within the Collins Ranch-Wolfcamp Gas Pool (75010) underlying the E/2 of Section 14, Township 17 South, Range 24 East, NMPM, Eddy County, New Mexico, from a surface location 230 feet from the South line and 330 feet from the East line (Unit P) of Section 14 in the manner described above in Finding Paragraph No. (5).

(2) Wolfcamp gas production from EOG's propose Danube "14" Fed. Com. Well No. 2H and existing Danube "14" Fed. Com. Well No. 1-H (API No. 30-015-34198), located at a surface location 1074 feet from the South line and 1703 feet from the East line (Unit O) of Section 14 and completed with a horizontal drainhole with its end point, or bottomhole location, approximately 852 feet from the North line and 1852 feet from the East line (Unit B) of Section 14, is to be simultaneously dedicated to this 320-acre stand-up gas spacing unit/project area.

(3) The operator shall comply with all applicable requirements and conditions set forth in Division Rule 111.

(4) IT IS FURTHER ORDERED THAT, should the proposed Danube "14" Fed. Com. Well No. 2H not be drilled and completed with a horizontal drainhole as proposed above, this order shall be null and void, and the operator shall abandon and plug off the Wolfcamp interval within this well.

(5) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



MARK E. FESMIORE, P. E.
Director

MEF/ms

cc: Mr. Mike Francis, Senior ROW and Lease Operations Agent – EOG Resources, Inc., Midland, TX
New Mexico Oil Conservation Division – Artesia
U. S. Bureau of Land Management – Carlsbad
New Mexico State Land Office – Santa Fe
File: Division Administrative Order SD-05-07
Division Administrative Order SD-05-08